

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:5623

ANSWERED ON:24.04.2001

SUPPLY OF FEEDSTOCK OF NAPHTHA AND FUEL OIL

AMBATI BRAHMANAIAH

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether the Government had assured supply of feedstock of Naphtha fuel oil and LSHS from the Oil PSUs to fertilizer plants at prevailing import parity price (IMPP) plus 4% sales tax;
- (b) if so, the details thereof;
- (c) whether the said profile has not been followed;
- (d) whether the higher prices for the feedstock of fertilizer plants have already been changed; and
- (e) if so, the steps proposed to be taken to maintain supply of feedstock to fertilizer sector at the IMPP level?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a) to (e): According to the oil industry, in respect of deregulated products like Naphtha and Fuel Oil, the products are sold to the consumers on import parity principle. Fertilizer industry had expressed the reservation on the price of Naphtha and Fuel Oil assumed by Expenditure Reforms Commission while working out the estimated savings vis-a-vis the actual price paid by the fertilizer industry to the oil companies who are said to be pricing it on import parity basis. The issue was discussed in a meeting with representatives from Ministry of Petroleum & Natural Gas and oil industry. Ministry of Petroleum & Natural Gas has agreed that wherever it is feasible to sell Naphtha to fertilizer units on Inter-State sale basis, domestic refineries will, w.e.f. 1.4.2001, supply Naphtha to urea producers at import parity price plus 4%, which is the rate of Central Sales Tax. For this purpose, fertilizer units would need to enter into commercial agreement with the oil companies. As per Notification No.2(RE-2001)/1997-2002 dated 31.3.2001 issued by Ministry of Commerce & Industry, Naphtha can be freely imported and there is nil customs duty for import of Naphtha for use in manufacture of fertilizers.

Cost Accounts Branch of Department of Expenditure have initiated a study for determination of import parity price of domestic Naphtha, Fuel Oil and LSHS supplied by the oil refineries to the various fertilizer plants in the country for production of urea at prevailing import parity price.